

Property Tax Payments, 2002-2003

- Benton County -

Indiana Legislative Services Agency

June 2005

The Indiana Supreme Court found Indiana's true tax value assessment rules to be unconstitutional in December 1998. Major changes in property tax payments in each county from 2002 to 2003 were caused by several factors, including:

- The move from the old true tax value assessment rules to the new market-oriented rules during the 2002-2003 property tax reassessment.
- Tax levy increases by local taxing units, which are influenced by spending and the availability of other revenue sources.
- The tax restructuring provisions enacted by the General Assembly in 2002 to help mitigate some of the effects of the assessment changes.

State Tax Credits Increased in Benton County from \$2.0 Million in 2002 to \$3.9 Million in 2003.

The General Assembly's restructuring provisions increased state tax credits statewide in 2003 from \$1.12 billion to \$1.87 billion, an increase of approximately \$748 million. In Benton County, state tax credits

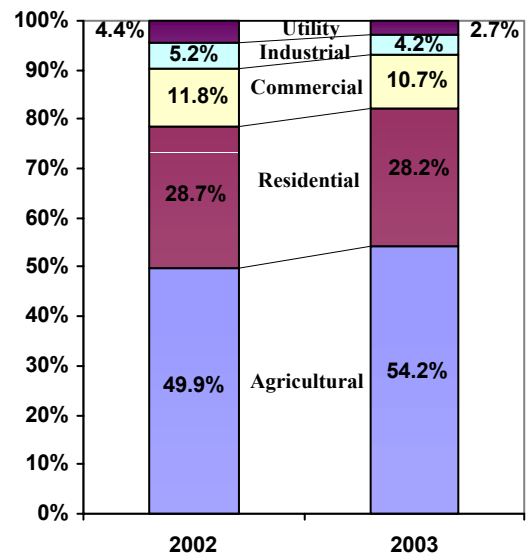
Table 1. Changes in AV and Tax Bills by Property Class for Benton County, 2002-2003.

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	89.6%	86.9%	-4.9%
Residential (All)	95.5%	60.5%	-14.1%
Homestead Only	99.8%	51.9%	-21.1%
Commercial	32.1%	31.8%	-20.7%
Industrial	32.3%	25.9%	-29.6%
Utility	-12.1%	-12.1%	-47.2%
Avg. All Classes	78.9%	67.0%	-12.5%

increased from \$2.0 million to \$3.9 million, an increase of \$1.9 million. This paper provides a brief summary of how these factors changed property tax liabilities in Benton County.

Tax Shifts. Tax bills for all classes of property fell in Benton County in 2003 (see Table 1). Gross real plus personal assessed values (AV) increased more for agriculture and residential property than for business property. Net assessed value of agricultural property nearly doubled, but the higher homestead deduction meant that residential net AV rose less. Only the homestead portion of agricultural property is eligible for this deduction. As a result, agricultural property received the smallest tax reduction. Residential and commercial reductions were next largest, while industrial and utility property received the largest reductions. [Restructuring also incorporated an increase in the Utility Receipts Tax to compensate for reduced property tax payments by utilities.] These figures include the effects of new construction, demolition and remodeling of property, as

Figure 1. Share of Net Property Tax Billings in Benton County.



* May not total 100% due to taxes paid by exempt/undefined parcels.

well as the effects of reassessment, tax restructuring and levy increases.

Homeowners and Renters. The residential property type includes both homestead and non-homestead residential property. Owners of residential and agricultural homesteads in Benton County saw their tax bills decrease by a greater amount than the average residential property decrease. A property is eligible for the homestead deduction and credit if it is occupied by its owner and is the owner's primary residence. The increase in the homestead deduction from \$6,000 to \$35,000 is the reason that residential net assessed value rose so much less than gross assessed value.

Tax bills on non-homestead residential property, which is primarily rental property, increased while homestead property decreased. Taxes rose because rental assessments increased as much as homestead assessments, but rental property was not eligible for the homestead deduction or homestead credit.

Table 2 shows tax changes for comparable properties, those with physical features that were unchanged from 2002 to 2003. In Benton County, substantially more residential property owners (including both homeowners and rental property owners) saw tax bill decreases than increases in 2003. Separately, more than four out of five homestead owners also saw decreases rather than increases.

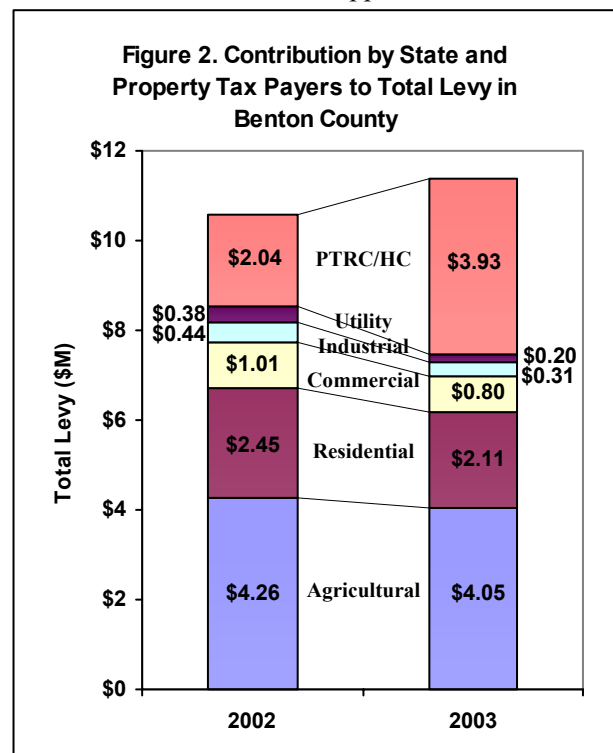
	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead - NO Levy Change -
Increased	38.3%	15.9%	34.4%	12.8%
Decreased	61.7%	84.1%	65.6%	87.2%
Increased 100% or More	8.0%	1.2%	7.1%	1.1%
Decreased 25% or More	37.5%	54.3%	42.1%	60.8%
Average Change (\$)	-\$93	-\$202	-\$121	-\$230
Average Change (%)	-14.0%	-25.4%	-18.1%	-29.0%
* Percentages represent the percentage of parcels affected.				

Not all of the tax bill change was due to reassessment and tax restructuring. Some was due to increases in the tax levies of local units of government. Table 2 shows estimates of what would have happened had tax levies remained unchanged. The estimates are made by recalculating tax rates for 2003 using tax levies from 2002.

With no levy changes, about a third of all residential property owners would have seen tax increases, and two-thirds would have seen tax decreases. For homesteads, approximately 13% would have seen tax increases. In Benton County, with or without levy changes, reassessment and restructuring reduced the taxes of many more homeowners than they increased.

Agriculture. Taxes on agricultural property in Benton County fell. Overall, agricultural homestead taxes fell more than agricultural business taxes. The net assessed value on non-homestead agricultural real property more than doubled. This reflects the 112% increase in the base rate of farm land, from \$495 to \$1,050 per acre. Agricultural net personal property assessments increased a small amount by comparison.

Business. Taxes on business property fell in Benton County because assessed values rose much less than residential and agricultural assessments. Business real



property was assessed closer to the market value standard under the old assessment rules than was residential property. Consequently, the shift to market value assessment increased business assessments less. The general rise in assessed values in Benton County reduced tax rates, and this cut tax bills more for owners of property with smaller assessment increases, like businesses.

Tax Restructuring. The tax restructuring of 2002 made significant changes to property tax assessments, deductions, credits, and hence to overall tax payments. Restructuring reversed personal property rule changes which the Department of Local Government Finance had put in place. It replaced one tax break for homeowners, known as the shelter allowance, with a larger (in most cases) homestead deduction. Restructuring also increased property tax replacement credits (PTRC) from the existing 20% credit. PTRC on school general fund levies is now 60% for all property. A 20% PTRC is paid to real property owners on civil levies plus the remaining school general fund levies (after the 60% credit). Restructuring also raised the homestead credit to 20% of net qualifying levies, instead of allowing it to revert to 4% of gross qualifying levies in 2003. Figure 2 shows the net levies paid by each property classification along with the PTRC and state homestead credit contributions. The contribution to local levies in Benton County by PTRC and state homestead credit payments increased by approximately 93%, from \$2.0 million to \$3.9 million.

Table 3 shows estimates of how Benton County tax bills would have changed for each property type had tax restructuring not been adopted. Tax increases for residential and agricultural property owners would have been particularly large. The increases in the homestead deduction and PTRC in the tax restructuring eliminated these tax increases and actually resulted in lower taxes. Benton County residential property taxes fell because the reassessment business-to-residential tax shift, plus the increase in the tax levy, was more than offset by the rise in the homestead deduction and higher state PTRC payments. The larger PTRC payments are also responsible for increasing the tax cuts received by commercial and industrial property. The percentage changes in the “With Restructuring” column of Table 3 correspond to the changes in the net levies in Figure 2.

Table 3. Effect of Tax Restructuring on Tax Bills by Property Type in Benton County, 2002-2003.			
Property Type	No Restructuring (Estimated)	With Restructuring (Actual)	Difference
Agricultural	12.2%	-4.9%	-17.1%
Residential (All)	29.8%	-14.1%	-43.9%
Homestead Only	41.1%	-21.1%	-62.2%
Commercial	-14.9%	-20.7%	-5.8%
Industrial	-22.6%	-29.6%	-7.0%
Utility	-49.6%	-47.2%	2.4%

List of Attached Summary Tables. Four summary tables are attached to provide additional information regarding assessed values and taxes by property class.

Summary Table 1: Comparison of 2002 and 2003 Net Property Tax Billings by Property Classification. This table summarizes net tax billings for real and personal property by property class. Additional information is provided for subclasses such as homesteads, agricultural homesteads, agricultural land, and rental properties.

Summary Table 2: Comparison of 2002 and 2003 Net Assessed Value by Property Classification. This table summarizes net assessed values for the same property classes described in Summary Table 1.

Summary Table 3: Changes in Assessed Values, Deductions, Credits, and Net Levies. This table summarizes the county-wide changes in tax bill components from 2002 to 2003 for real and personal property by property class.

Summary Table 4: Residential Property Summary. This table summarizes the assessed value and net tax changes from 2002 to 2003 for residential property. The table includes a distribution of net tax changes for comparable residential properties and for the homestead component of residential property. The table also depicts the distribution of changes as if there were no levy increase in 2003.

Benton County
Changes in Assessed Values, Deductions, Credits and Net Levies
Pay 2002 - Pay 2003

	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Pay 2002							
Real Gross Assessed Value	318,718,980	176,729,995	114,381,436	88,214,124	17,149,502	9,304,391	920,087
Real Deductions	23,253,196	3,227,767	19,639,654	19,639,654	153,787	3,429	0
Real Net Assessed Value	295,465,784	173,502,228	94,741,782	68,574,470	16,995,715	9,300,962	920,087
Personal Gross Assd. Value	64,304,332	18,972,360	1,705,500	0	19,999,912	8,644,310	14,982,250
Personal Deductions	1,473,550	0	0	0	528,480	945,070	0
Personal Net Assd. Value	62,830,782	18,972,360	1,705,500	0	19,471,432	7,699,240	14,982,250
Total Gross Assessed Value	383,023,312	195,702,355	116,086,936	88,214,124	37,149,413	17,948,701	15,902,337
Total Deductions	24,726,746	3,227,767	19,639,654	19,639,654	682,267	948,499	0
Total Net Assessed Value	358,296,566	192,474,588	96,447,282	68,574,470	36,467,146	17,000,202	15,902,337
Gross Levy	10,577,001	5,120,885	3,240,157	2,307,690	1,221,183	537,931	456,648
PTRC (Calculated)	1,788,136	829,460	573,126	408,545	215,214	93,705	76,594
State/County Homestead Cr. (Calculated)	248,885	31,683	217,202	217,202	0	0	0
Net Levy	8,539,980	4,259,743	2,449,829	1,681,943	1,005,969	444,226	380,054
Pay 2003							
Real Gross Assessed Value	617,578,060	348,626,240	225,126,862	176,255,345	27,796,779	14,070,212	1,289,315
Real Deductions	84,034,709	11,261,932	72,084,878	72,084,878	386,681	6,154	0
Real Net Assessed Value	533,543,351	337,364,308	153,041,984	104,170,467	27,410,098	14,064,058	1,289,315
Personal Gross Assd. Value	67,760,340	22,347,520	1,778,850	0	21,283,111	9,667,799	12,683,060
Personal Deductions	2,952,160	0	0	0	624,610	2,327,550	0
Personal Net Assd. Value	64,808,180	22,347,520	1,778,850	0	20,658,501	7,340,249	12,683,060
Total Gross Assessed Value	685,338,400	370,973,760	226,905,712	176,255,345	49,079,890	23,738,011	13,972,375
Total Deductions	86,986,869	11,261,932	72,084,878	72,084,878	1,011,291	2,333,704	0
Total Net Assessed Value	598,351,531	359,711,828	154,820,834	104,170,467	48,068,599	21,404,307	13,972,375
Gross Levy	11,402,101	6,178,856	3,445,446	2,305,705	1,078,350	434,110	259,243
PTRC (Calculated)	3,658,590	2,100,245	1,095,617	734,324	280,599	121,467	58,500
State/County Homestead Cr. (Calculated)	271,950	27,280	244,670	244,670	0	0	0
Net Levy	7,471,561	4,051,331	2,105,159	1,326,712	797,751	312,644	200,743
COMPARISONS							
Net Levy Percent Change	-12.5%	-4.9%	-14.1%	-21.1%	-20.7%	-29.6%	-47.2%
Contributions to Tax Bill Changes, 2002-2003							
Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	93.8%	97.3%	96.8%	99.8%	62.1%	51.2%	40.1%
Gross Personal AV	5.4%	17.8%	4.3%	0.0%	6.4%	11.8%	-15.3%
Total Gross Assessed Value	78.9%	89.6%	95.5%	99.8%	32.1%	32.3%	-12.1%
Net Assessed Value	67.0%	86.9%	60.5%	51.9%	31.8%	25.9%	-12.1%
Gross Levy	7.8%	20.7%	6.3%	-0.1%	-11.7%	-19.3%	-43.2%
Net Levy	-12.5%	-4.9%	-14.1%	-21.1%	-20.7%	-29.6%	-47.2%
Actual State Credits, 2002 and 2003							
	2002	2003	Change	Change%			
PTRC (Abstract)	1,788,305	3,658,882	1,870,577	104.6%			
State Homestead Cr. (Abstract)	252,459	270,787	18,328	7.3%			
Total State Credits (Abstract)	2,040,764	3,929,669	1,888,905	92.6%			

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Benton County

Property Classification	2002 Net Tax	2003 Net Tax	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	4,259,743	4,051,331	-208,412	-4.9%	49.9%	54.2%	4.3%
Residential	2,449,829	2,105,159	-344,670	-14.1%	28.7%	28.2%	-0.5%
Commercial	1,005,969	797,751	-208,218	-20.7%	11.8%	10.7%	-1.1%
Industrial	444,226	312,644	-131,582	-29.6%	5.2%	4.2%	-1.0%
Utility	380,054	200,743	-179,311	-47.2%	4.4%	2.7%	-1.8%
Exempt	921	955	34	3.7%	0.0%	0.0%	0.0%
Undefined	160	3,933	3,773	2358.1%	0.0%	0.1%	0.1%
Total	8,540,902	7,472,516	-1,068,386	-12.5%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	3,836,932	3,753,850	-83,082	-2.2%	44.9%	50.2%	5.3%
Residential	2,406,406	2,081,590	-324,816	-13.5%	28.2%	27.9%	-0.3%
Commercial	490,664	440,651	-50,013	-10.2%	5.7%	5.9%	0.2%
Industrial	240,519	190,644	-49,875	-20.7%	2.8%	2.6%	-0.3%
Utility	23,808	16,260	-7,548	-31.7%	0.3%	0.2%	-0.1%
Exempt	921	955	34	3.7%	0.0%	0.0%	0.0%
Undefined	160	3,933	3,773	2358.1%	0.0%	0.1%	0.1%
Total	6,999,410	6,487,883	-511,527	-7.3%	82.0%	86.8%	4.9%
Agricultural Homesteads	678,491	554,301	-124,190	-18.3%	7.9%	7.4%	-0.5%
Residential Homesteads	1,681,943	1,326,712	-355,231	-21.1%	19.7%	17.8%	-1.9%
Total Homesteads	2,360,434	1,881,013	-479,421	-20.3%	27.6%	25.2%	-2.5%
Non-Homestead Residential	724,463	754,879	30,416	4.2%	8.5%	10.1%	1.6%
Apartment (Over 4 Units)	56,278	57,223	945	1.7%	0.7%	0.8%	0.1%
<u>Personal Property Only</u>							
Agricultural	422,811	297,482	-125,329	-29.6%	5.0%	4.0%	-1.0%
Residential	43,423	23,569	-19,854	-45.7%	0.5%	0.3%	-0.2%
Commercial	515,306	357,099	-158,207	-30.7%	6.0%	4.8%	-1.3%
Industrial	203,707	121,999	-81,708	-40.1%	2.4%	1.6%	-0.8%
Utility	356,246	184,483	-171,763	-48.2%	4.2%	2.5%	-1.7%
Total	1,541,493	984,632	-556,861	-36.1%	18.0%	13.2%	-4.9%
Total Depreciables	984,078	623,248	-360,830	-36.7%	11.5%	8.3%	-3.2%
Total Inventory	513,991	337,815	-176,176	-34.3%	6.0%	4.5%	-1.5%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	3,158,441	3,199,549	41,108	1.3%	37.0%	42.8%	5.8%
Ag Personal	422,811	297,482	-125,329	-29.6%	5.0%	4.0%	-1.0%
Total Ag Business	3,581,252	3,497,031	-84,221	-2.4%	41.9%	46.8%	4.9%
Ag Homesteads	678,491	554,301	-124,190	-18.3%	7.9%	7.4%	-0.5%

* "Tax billings" for real property refers to the net taxes charged per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Tax billings" for personal property refers to the net taxes charged on the personal property assessed value reported on the county auditor's abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net tax changes from 2002 to 2003 include effects of changes in assessment methods, local levies, real property physical characteristics, property use, personal property held or acquired, deductions, and credits.

Comparison of 2002 and 2003 Net Assessed Value*
(Scaled to Abstract Values)
By Property Classification**
Benton County

Property Classification	2002 Net AV	2003 Net AV	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	192,474,588	359,711,828	167,237,240	86.9%	53.7%	60.1%	6.4%
Residential	96,447,282	154,820,834	58,373,552	60.5%	26.9%	25.9%	-1.0%
Commercial	36,467,146	48,068,599	11,601,453	31.8%	10.2%	8.0%	-2.1%
Industrial	17,000,202	21,404,307	4,404,105	25.9%	4.7%	3.6%	-1.2%
Utility	15,902,337	13,972,375	-1,929,962	-12.1%	4.4%	2.3%	-2.1%
Exempt	34,630	69,080	34,450	99.5%	0.0%	0.0%	0.0%
Undefined	5,010	373,587	368,577	7356.8%	0.0%	0.1%	0.1%
Total	358,331,195	598,420,610	240,089,415	67.0%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	173,502,228	337,364,308	163,862,080	94.4%	48.4%	56.4%	8.0%
Residential	94,741,782	153,041,984	58,300,202	61.5%	26.4%	25.6%	-0.9%
Commercial	16,995,715	27,410,098	10,414,383	61.3%	4.7%	4.6%	-0.2%
Industrial	9,300,962	14,064,058	4,763,096	51.2%	2.6%	2.4%	-0.2%
Utility	920,087	1,289,315	369,228	40.1%	0.3%	0.2%	0.0%
Exempt	34,630	69,080	34,450	99.5%	0.0%	0.0%	0.0%
Undefined	5,010	373,587	368,577	7356.8%	0.0%	0.1%	0.1%
Total	295,500,414	533,612,430	238,112,016	80.6%	82.5%	89.2%	6.7%
Agricultural Homesteads	31,672,141	51,928,558	20,256,417	64.0%	8.8%	8.7%	-0.2%
Residential Homesteads	68,574,470	104,170,467	35,595,997	51.9%	19.1%	17.4%	-1.7%
Total Homesteads	100,246,611	156,099,025	55,852,414	55.7%	28.0%	26.1%	-1.9%
Non-Homestead Residential	26,167,312	48,871,517	22,704,205	86.8%	7.3%	8.2%	0.9%
Apartments (Over 4 Units)	1,849,119	3,275,090	1,425,971	77.1%	0.5%	0.5%	0.0%
<u>Personal Property Only</u>							
Agricultural	18,972,360	22,347,520	3,375,160	17.8%	5.3%	3.7%	-1.6%
Residential	1,705,500	1,778,850	73,350	4.3%	0.5%	0.3%	-0.2%
Commercial	19,471,432	20,658,501	1,187,069	6.1%	5.4%	3.5%	-2.0%
Industrial	7,699,240	7,340,249	-358,991	-4.7%	2.1%	1.2%	-0.9%
Utility	14,982,250	12,683,060	-2,299,190	-15.3%	4.2%	2.1%	-2.1%
Total	62,830,782	64,808,180	1,977,398	3.1%	17.5%	10.8%	-6.7%
Total Depreciables	41,253,160	42,732,706	1,479,546	3.6%	11.5%	7.1%	-4.4%
Total Inventory	19,872,122	20,296,624	424,502	2.1%	5.5%	3.4%	-2.2%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	141,830,087	285,435,751	143,605,664	101.3%	39.6%	47.7%	8.1%
Ag Personal	18,972,360	22,347,520	3,375,160	17.8%	5.3%	3.7%	-1.6%
Total Ag Business	160,802,447	307,783,271	146,980,824	91.4%	44.9%	51.4%	6.6%
Ag Homesteads	31,672,141	51,928,558	20,256,417	64.0%	8.8%	8.7%	-0.2%

* "Net Assessed Value" for real property refers to the gross AV less deductions per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Net Assessed Value" for personal property refers to the gross personal property assessed value reported on the county auditor's abstract less the deductions reported on the abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net AV changes from 2002 to 2003 include effects of changes in assessment methods, real property physical characteristics, property use, personal property held or acquired, and deductions.

**Benton County
Residential Property Summary
2003 Reassessment**

Property Type	Change in Gross AV 2001 to 2003	Change in Net AV 2001 to 2003	Change in Net Tax 2002 to 2003	Change in Net Tax With NO Cert. Levy Chg. 2002 to 2003
All Real Residential Properties	103%	66%	-11%	-15%
Comparable Residential Real Prop.	96%	60%	-14%	-18%
Comparable Homesteads	96%	44%	-25%	-29%

Distribution of Net Tax Changes on Comparable Residential Property

% Change		2002 to 2003 Actual Bills All Residential Property		2002 to 2003 Actual Bills Homesteads Only		2002 to 2003 Recomputed Bills With NO Certified Levy Change All Residential Property		2002 to 2003 Recomputed Bills With NO Certified Levy Change Homesteads	
Over	300%	112	3.3%	10	0.5%	108	3.2%	8	0.4%
200% to	300%	34	1.0%	2	0.1%	31	0.9%	4	0.2%
100% to	200%	125	3.7%	12	0.6%	102	3.0%	11	0.5%
50% to	100%	215	6.3%	26	1.2%	204	6.0%	19	0.9%
25% to	50%	250	7.4%	60	2.8%	218	6.4%	42	2.0%
10% to	25%	271	8.0%	110	5.1%	239	7.0%	86	4.0%
5% to	10%	128	3.8%	52	2.4%	97	2.9%	44	2.1%
0 to	5%	168	4.9%	68	3.2%	169	5.0%	60	2.8%
0 to	-5%	129	3.8%	90	4.2%	131	3.9%	67	3.1%
-5% to	-10%	163	4.8%	111	5.2%	156	4.6%	106	5.0%
-10% to	-25%	532	15.6%	435	20.4%	513	15.1%	390	18.2%
-25% to	-50%	931	27.4%	844	39.5%	1,037	30.5%	932	43.6%
Below	-50%	342	10.1%	317	14.8%	395	11.6%	368	17.2%
		3,400	100.0%	2,137	100.0%	3,400	100.0%	2,137	100.0%
Parcels With Increases		1,303	38.3%	340	15.9%	1,168	34.4%	274	12.8%
Parcels With Reductions		2,097	61.7%	1,797	84.1%	2,232	65.6%	1,863	87.2%
Average \$ Change		-\$93		-\$202		-\$121		-\$230	
Average % Change		-14.0%		-25.4%		-18.1%		-29.0%	

"Comparable Properties" = Properties with a record in both years that have improvements in both years OR no improvements in both years.

Data Source: 2001 and 2003 County Parcel Tax Data - County Auditor and County Assessor

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